

# FUTURE-PROOFING PROCUREMENT

03 IS BREXIT UK SAILING BLIND  
IN STORMY SEAS?

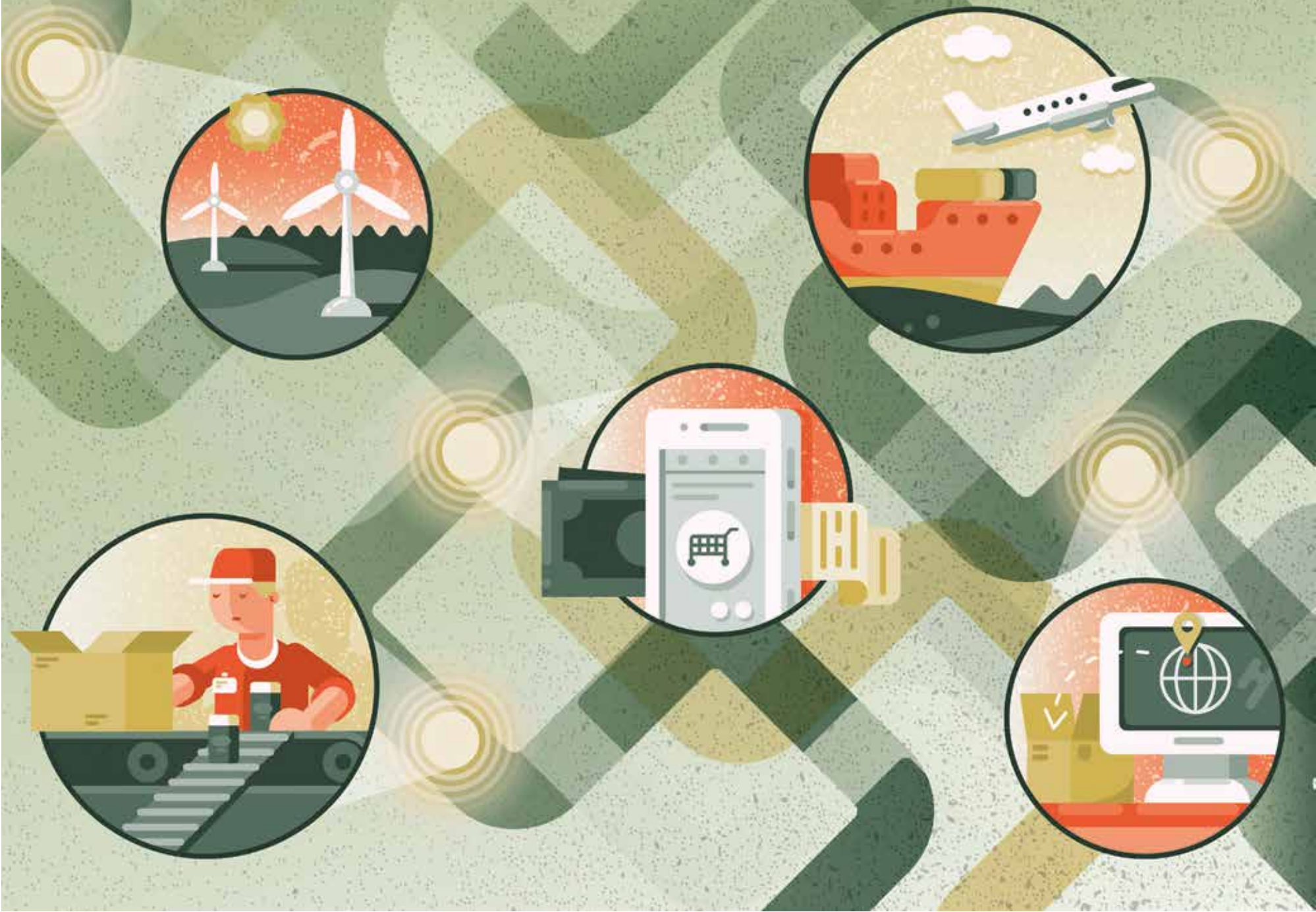
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OVERVIEW

Sailing blind  
in stormy seas

Brexit is already hitting procurement and supply chains hard, but can there be a soft landing outside the European Union?

JAMES HURLEY

“The most disturbing half an hour I’ve spent in months.” That was the verdict from one of the UK’s top chief executives after listening to Brexit secretary David Davis outline his vision for leaving the European Union.

Other than a warning that planning to leave the EU would be comparable in complexity to preparing the Moon landings, it had been a typically upbeat performance from Mr Davis. Yet it was short on practicality.

If the paucity of detail on Brexit is concerning for some bosses, spare a thought for their procurement departments, which are being asked to come up with plans and remedies despite having precious little to go on.

With Brexit-influenced supply chain disruption already underway, procurement departments are on the front line. Almost half of European businesses with UK suppliers are already finding replacements elsewhere in the EU, according to a survey of 2,000 supply chain managers conducted by the Chartered Institute of Procurement and Supply (CIPS).

Industries including retail and hospitality that failed to hedge their currency exposure have already seen an increase in the cost of goods purchased from overseas, with some having to adjust their purchasing plans. Others with hedges in place will soon see them expire.

With potential changes in contract terms, the identity of suppliers and the prospect of possible trade tariffs all looming as a result of Brexit, procurement’s role has rarely been so vital or under the spotlight.

David Lowe, partner at Gowling WLG, a law firm, says: “Every supply chain is international. Even if the supplier is local, the components and raw materials will almost certainly come from somewhere else. And Brexit will impact international trade – the impact of tariffs, the impact of cross-border hassle and delays, and also the non-tariff barriers, for instance the local regulations that impact products.

“Brexit does not impact just trade between the UK and the EU. It could impact trade between the UK and non-EU countries as the UK will be able to do its own deals with say, Japan.”

Yet how do you navigate such stormy waters while you’re sailing blind?



Brexit secretary David Davis on the first day of negotiations at the European Commission in Brussels

Colin Sharp of C2FO, a financial technology company that works in supply chain finance, says: “Procurement teams’ best bet is to plan in advance for different scenarios, especially for those [that are] more punitive.”

Supplier risk assessments may switch from bi-annual reviews to as often as weekly for first and certain key second-tier suppliers, he says.

Mr Sharp says some businesses will have to prepare to make tough decisions, such as evaluating the impact of replacing a supplier according to its significance for the business, but also possibly based on suppliers’ location, in the UK or abroad. “By building supply chain redundancy and flexibility, as well as defining a portfolio of real options in advance, these teams will almost certainly mitigate potential disruptions.”

According to the recent CIPS survey, more than a third of UK businesses plan to respond to Brexit by beating down suppliers’ prices.

Such procurement preparations could risk creating a vicious cycle down supply chains, Mr Sharp warns.

“After the 2008 financial crisis, many corporates embraced payment term extension. This strategy led to short-term improvement in the cash management metrics, but created a void between those with excess cash in their balance sheets and those suppliers needing working capital to manage longer payment terms,” he says.

If the UK stays in the single market – an option which for now at least appears to be off the table – then the impact of Brexit might yet be minimal for procurement, says Mr Lowe.

“If the UK leaves the single market, but stays in the customs union then changes will be moderate,” he adds. “But harder Brexit will potentially have much more significant impacts. Some are obvious, for example tariffs, but others are less clear, like the European Union suggesting that UK court decisions on business disputes could cease to be enforceable in the EU, which would result in an unwelcome increase in risks and costs.

“And uncertainty of when the change will happen is also a major issue. It could be in 2019 or some years after that.”

The uncertainty is at least a boon for procurement recruiters, who are reporting significant demand as companies beef up their supply chain teams in an effort to get ahead of any disruption that may lie ahead.

Scott Dance, director of Hays procurement and supply chain division, says: “Demand is high for talented procurement professionals. As we tackle an unpredictable economic and political climate, many organisations are prioritising [their] procurement team’s potential in making sure the changes have limited business impact.”

The problem is that supply doesn’t always meet demand. A Hays survey found that half of employers have struggled to find the right procurement staff over the last year, while almost the same proportion said filling procurement roles was one of their biggest recruitment headaches.

For those who are trying to plan ahead, what can be done? Mr Lowe says responses range from the short term to the detailed. A minority of companies are modelling a variety of Brexit outcomes against their supply chain.

He says: “It is possible to model what the impact of a hard Brexit and World Trade Organization rules structure has on tariffs and other outcomes. It does not give the whole picture, but it will highlight key risk areas where contingency plans may need to be made.”

However, the reality is that many businesses are still taking a wait-and-see approach, perhaps hoping that nothing will really change.

“It’s like driving on the M6 knowing there is a jam a few junctions ahead, deciding that it will either clear or you will be stuck in the jam with everyone else,” says Mr Lowe. “The problem is that when you are in the jam you wish you had got off at the previous junction and taken the alternative route.” ●



32%

of UK businesses that use EU suppliers are looking for British replacements



36%

plan to respond to Brexit by beating down suppliers’ prices



46%

of European businesses expect to reduce their use of UK suppliers



# Strategic procurement brings new value to the supply chain

Delivering Procurement Services for Aid (DPSA), an AECOM-led service, is on a mission to transform how aid and development programmes around the world procure goods and services



Procurement has long been focused on obtaining the lowest price for the goods and services required. But a more strategic approach to procurement is ensuring aid and development programmes gain extra value from their supply chain.

While keeping costs down remains a priority for such programmes, strategic procurement also emphasises not just “what” is being procured, but “why” and “how”, to ensure commitments are delivered, as well as bringing corporate social responsibility (CSR) and environmental sustainability to the forefront of an organisation.

“We’re looking to achieve outcomes that align procurement with the aims of the organisation,” says Stephen Ashcroft, head of technical assistance at DPSA, which supports aid programmes worldwide with their procurement and logistics requirements. “Rather than just saying there is a specific delivery date and budget that has to be spent, we’re making sure that we’re supporting delivery of the programme’s goals. Part of strategic procurement, for example, is reviewing the specifications to fully understand what the customer is trying to achieve.”

Aid and development organisations recognise the need to safeguard their programmes, which includes ensuring that anti-corruption issues are addressed and enabling local communities to participate in supply chains.

There is no shortage of suppliers for all manner of goods, services and equipment, but finding the right ones is always a challenge in procurement. Within aid and international trade, these challenges can extend to dealing with conflicts of interest, bribery and kickbacks. DPSA risk management isn’t a one-time effort; it’s constantly reviewed to mitigate fraud risk factors and new risks appearing.

Procurement may traditionally sit at the front-end of a supply chain, but a strategic approach means asserting a core position in influencing the entire value chain as it progresses to the delivery of goods and services, and onward warehousing and distribution.

A strategic approach also delivers innovative solutions. For example, when dealing with large consignments to multiple destinations, even simple changes to established processes can save time and money. DPSA sorts bulk items ahead of dispatch so they are ready for use at the receiving end. It’s a novel approach which also allows critical delivery timelines to be met. It’s just one way in which innovation in procurement can bring wider benefits to customers.

“We want to help make aid go further by ensuring procurement spending is undertaken fairly, with a very clean supply chain

“We have to excel in each of those areas and set the standards all of the way through,” says Mr Ashcroft. “It’s about early engagement with customers when programmes are at design stage, having open conversations with people right through the value chain to better understand their needs and ambitions, and making sure we’re aligned with those. We want to help make aid go further by ensuring procurement

spending is undertaken fairly, with a very clean supply chain.”

AECOM not only adheres to its own strong ethics and values, including empowerment of women and environmental sustainability, but also favours suppliers that subscribe to the same standards. It supports the United Nations’ Sustainable Development Agenda, which was launched in January 2016 and calls for all countries to achieve 17 goals dedicated to ending poverty, protecting the planet and ensuring prosperity for all by 2030.

CSR naturally applies to employees within an organisation, but there is also an opportunity to have an impact and achieve such objectives through the engagement and management of a supply chain. This can make procurement the ultimate lever through the value chain in aid and development.

“Being positioned as a customer of choice for our suppliers, because they know our aspirations around CSR and sustainable development, can almost have a mirroring effect within our supply chain,” says Mr Ashcroft. “CSR is a key theme of our balanced score card of factors that optimise the impact of aid funding, rather than focusing on cost-efficiencies alone.”

For more information please visit [www.dpsa.org.uk](http://www.dpsa.org.uk)



DPSA in action, delivering critical aid safely to remote areas

# Richness of diversity pays dividends

UK businesses are missing a trick if they do not take advantage of the myriad rewards which come from committing to supply chain diversity

OLIVER PICKUP

Diversity has become a business buzzword in recent times, with numerous C-suite executives viewing it as simply a tick-box exercise, alas. And yet a growing welter of evidence suggests the manifold advantages of utilising diverse supply chains – engaging suppliers from ethnic, racial and gender minorities – are too significant to be ignored.

In the UK there is much work to be done in this area, however, and in truth, when it comes to encouraging such a progressive approach, most of the world is some way behind pioneers in the United States. Indeed, the very idea of supplier diversity was triggered by the epochal American civil rights movement of the 1950s and 1960s.

It is little coincidence that on March 5, 1969, less than a year after the Civil Rights Act, popularly known as the Fair Housing Act, President Richard Nixon, who had taken office only six weeks earlier, signed the game-changing Executive Order 11458 that stipulated government agencies and their contractors should partner up with minority-owned companies.

It soon became apparent that to prevent fraud, rigorous third-party certification was required; hence the National Minority Supplier Development Council (NMSDC) was

formed in 1971 to determine which organisations qualified for minority business enterprise (MBE) status.

In the subsequent four-and-a-half decades, a cluster of other national units have been established in the US to foster growth for diverse business types and address the needs of various affinity groups, including women, lesbian, gay, bisexual and transgender individuals, and those with disabilities.

And now, even though the NMSDC, which aims to “support and facilitate MBE integration into corporate and public sector supply chains” by matching in excess of 12,000 certified MBEs to its “vast network of corporate members who wish to purchase their products, services and solutions”, has the likes of Apple, Google, Amazon, Walmart and more than 300 more top corporate organisations on its books, there remains a frustratingly backward-looking attitude at boardroom level, according to Joset Wright-Lacy, president of the organisation.

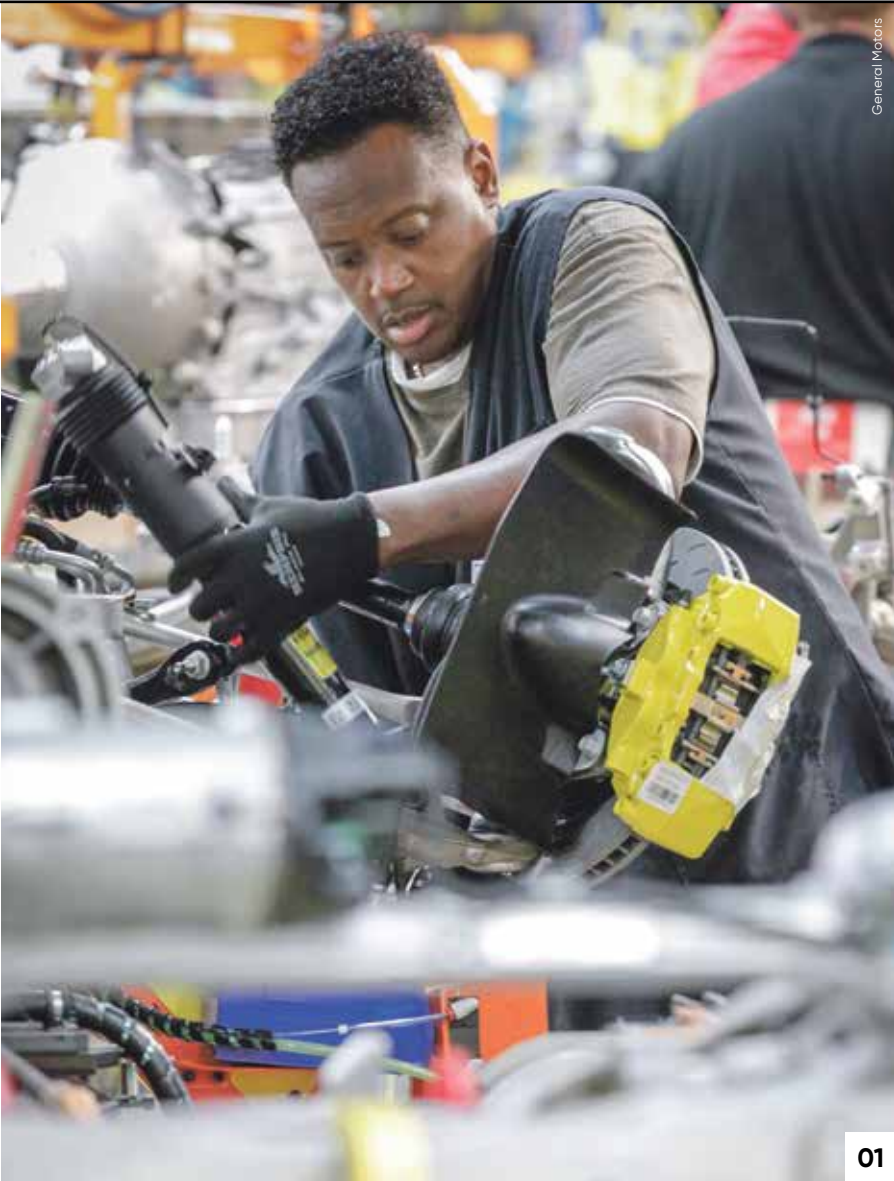
Last autumn she wrote, in *Supply Chain Quarterly*, about her “deep sense of urgency” to combat corporations questioning the importance of MBEs to their commercial relationships and supply chains. Calling such an outdated perspective “short-sighted” she warned: “[This] thinking can lead to the placement of artificial barriers in front of MBEs and usually leads to excuses for dropping support for supply chain diversity when corporate budgets are cut.

“There is clear and strong evidence that working with minority-owned suppliers provides business benefits for both buyer and supplier. Moreover, these relationships have a beneficial impact not only on local communities, but also on the national economy.”

Ms Wright-Lacy, who has praised department store chain Macy’s, and aerospace and defence giants Lockheed Martin, pointed to an NMSDC study from 2014 that revealed MBEs in America generate “more than \$1 billion in economic output every day” and \$401 billion annually. Addition-

“The biggest benefits are the diverse views around how you can improve and also the potential for developing innovative solutions to any problems that occur





General Motors



Simon Dawson/Bloomberg via Getty Images

01

02

ally, in that same year NMSDC-certified MBEs were “responsible for the maintenance or creation of more than 2.2 million jobs and generated more than \$48 billion in tax revenue to local, state and federal governments”. Furthermore, a 2015 report by leading enterprise benchmarking firm Hackett Group claimed “on average, supplier diversity programmes add \$3.6 million to the bottom line for every \$1 million in procurement operation costs” and added that the high return on investment was undeniable. In the same year McKinsey & Company published *Diversity Matters*, which examined proprietary data sets for 366 public companies across a range of industries in the UK, US, Canada and Latin America. “Our research finds that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians,” the study says. “Di-

versity is probably a competitive differentiator that shifts market share towards more diverse companies over time.” Away from a boosted bottom line there are a multitude of other reasons to establish and nurture a diverse supply chain. In Hackett Group’s 2016 *Supplier Diversity Performance Study*, research director and co-author Laura Gibbons says that having a diverse supply chain can be much more than a reputation builder. “Supplier diversity is evolving from a check-the-box corporate social responsibility (CSR) requirement to a strategic enabler providing access to innovative products and increased market share in new and developing communities,” she says. “Top-performing organisations are taking advantage of this opportunity, and applying the tenets of social diversity to new areas such as supplier partnering, reputation management and global expansion with exceptional results.”

**01** General Motors works with more than 400 certified diverse suppliers and small businesses in North America; its supplier diversity programme dates back to 1968

**02** Waitrose is one company that works with a range of smaller suppliers to offer local products that differ from region to region

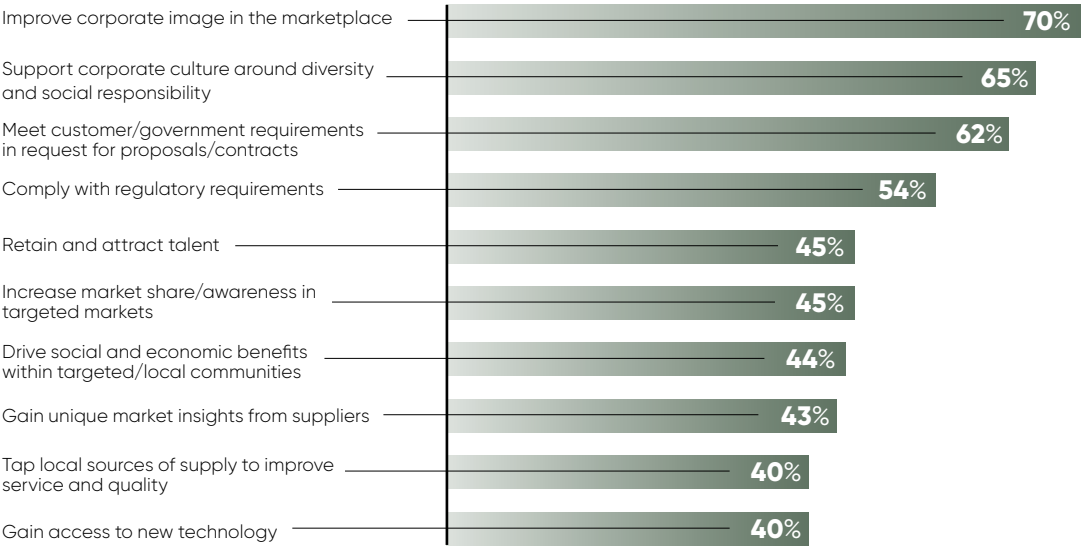
Slowly but surely UK organisations are beginning to cotton on. “Diversity used to be viewed by many companies merely as a way of fulfilling their CSR obligations,” says Leon Smith, procurement and supply chain consulting leader at London-headquartered PwC, “but now we are seeing businesses wake up to the commercial benefits that a diverse supply chain can bring. These are increased innovation, more agility leading to greater speed to market and the revenue growth opportunities for expanding customer base. “Companies can drive greater levels of entrepreneurialism, innovation, agility and flexibility, and commercial impact by tapping into the different perspectives that a diverse supply chain can bring. Also it can help businesses move closer to their local community and customers, and ultimately help them appeal to

a more diverse customer base.” Professor Alan Braithwaite, chairman of supply chain and logistics consultancy LCP Consulting, lauds UK organisations Co-op and Waitrose for their forward-thinking attitudes in this space, but posits: “Diverse supply chains are more prominent in the US than Europe as CSR is more highly developed.” But he warns: “As smaller diverse suppliers are not as advanced, there is a risk that they lack the ability to stretch themselves when responding to sudden events.” Conversely, Cheltenham-based business consultant Marc Lawn notes that organisations using diverse supply chains will have resilience built in because they are not reliant on a sole source for goods. “Having geographically diverse suppliers means you can potentially offer a more local supply option or

a quick turnaround when circumstances require,” he says. “Smaller and agiler suppliers can generally ‘top up’ when there are issues in localised production, and that is a big benefit when you don’t want to be tied to large minimum-order quantities. They are generally not as price competitive, but could often offer a more personalised or higher quality service; for example, they may make the delivery to your facility for you or offer rapid overnight delivery. “The biggest benefits, though, are the diverse views around how you can improve and also the potential for developing innovative solutions to any problems that occur.” The UK’s equivalent to America’s NMSDC is Minority Supplier Development UK (MSD UK), which was set up in 2006 to promote diversity and inclusion in the supply chain. “Minority-owned businesses in the UK face a number of challenges, such as access to capital and mainstream supply chain opportunity to scale up their businesses,” says MSD UK’s chief executive Mayank Shah. “This greatly affects their long-term sustainability. Data gathered from the *Global Entrepreneurship Monitor* and other sources indicate that despite the higher level of minority-owned startups being established here, compared to the rest of the world, after three years those levels drop dramatically; the principal factor for this is a lack of capital and opportunities.” ●

### TOP SUPPLIER DIVERSITY PROGRAMME OBJECTIVES

PERCENTAGE OF US FIRMS WHO CONSIDERED THE FOLLOWING OBJECTIVES AS IMPORTANT



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# The chief procurement officer in an uncertain world

A world of enormous political, economic and technological change presents challenges and opportunities for procurement teams

**efficio**  
The Procurement Experts

Procurement is one of the few business functions to have a clear line of sight over how the macro-environment and supplier-base activity impacts directly on corporate profitability, allowing it potentially to exert significant influence over organisations.

Yet procurement teams are still struggling to make the transition from transactional processing to strategic business function – a major concern in today's highly uncertain, fast-changing global environment.

From the Brexit vote to Donald Trump and the election of Emmanuel Macron to the near election of Jeremy Corbyn, alongside increased antipathy by voters towards globalisation and greater concerns about terrorism, the upsets and surprises of the last year have been frequent and far reaching.

"There's a level of uncertainty today that's greater than it has been for many years and a cycle of change that's faster than it's been at any time in the past," says Toby

Munyard, a vice president at global procurement experts Efficio.

"This means that from a procurement and supply chain perspective, you have to know your business back to front. You can't influence or manage any of these external factors, so you need to focus on the elements of your supply chain and costs that you can control."

## PROTECTIONISM

An era of protectionism is emerging with the election of President Trump and Brexit.

Chief procurement officers (CPOs) and others will have to move towards a more flexible supply base and procurement procedures if they are to operate in this increasingly fast-changing, evermore uncertain world, argues Alex Klein, chief operating officer of Efficio.

"If key economies are reverting to a protectionist model, this impacts on best-country sourcing – one of the more significant procurement levers available to CPOs," says Mr Klein.

"Add to this China's stalling economy and India's rising costs, and it's increasingly likely that CPOs will have to rethink and potentially reconstitute their supply chains onshore.

"Supply chains cannot and will not be as long and stable as they have been in the past. That means they must be kept under constant review and CPOs must be more agile, ready to switch to new suppliers, or adapt their procedures to sudden developments in technology or changes in the political and economic situation.

"This is a breakaway from the past when procurement functions entered long-term agreements in return for cost reductions from suppliers. But it may not be advisable for CPOs to tie themselves into such agreements in the current environment, even though this could mean losing another procurement lever available to them."

To be prepared for sudden and unexpected change, CPOs need to simulate a wide range of scenarios and analyse the resulting consequences. This includes an accurate analysis of their current dependencies and their links to critical markets around the world.

"Procurement's need to become more nimble and ready to react to the changing macro-environment may lessen the ability to use traditional tools such as offshoring and long-term agreements," argues Mr Klein. "This may lead to a loss in value, which CPOs will need to try and com-

pensate for by extracting value in other ways and in other areas."

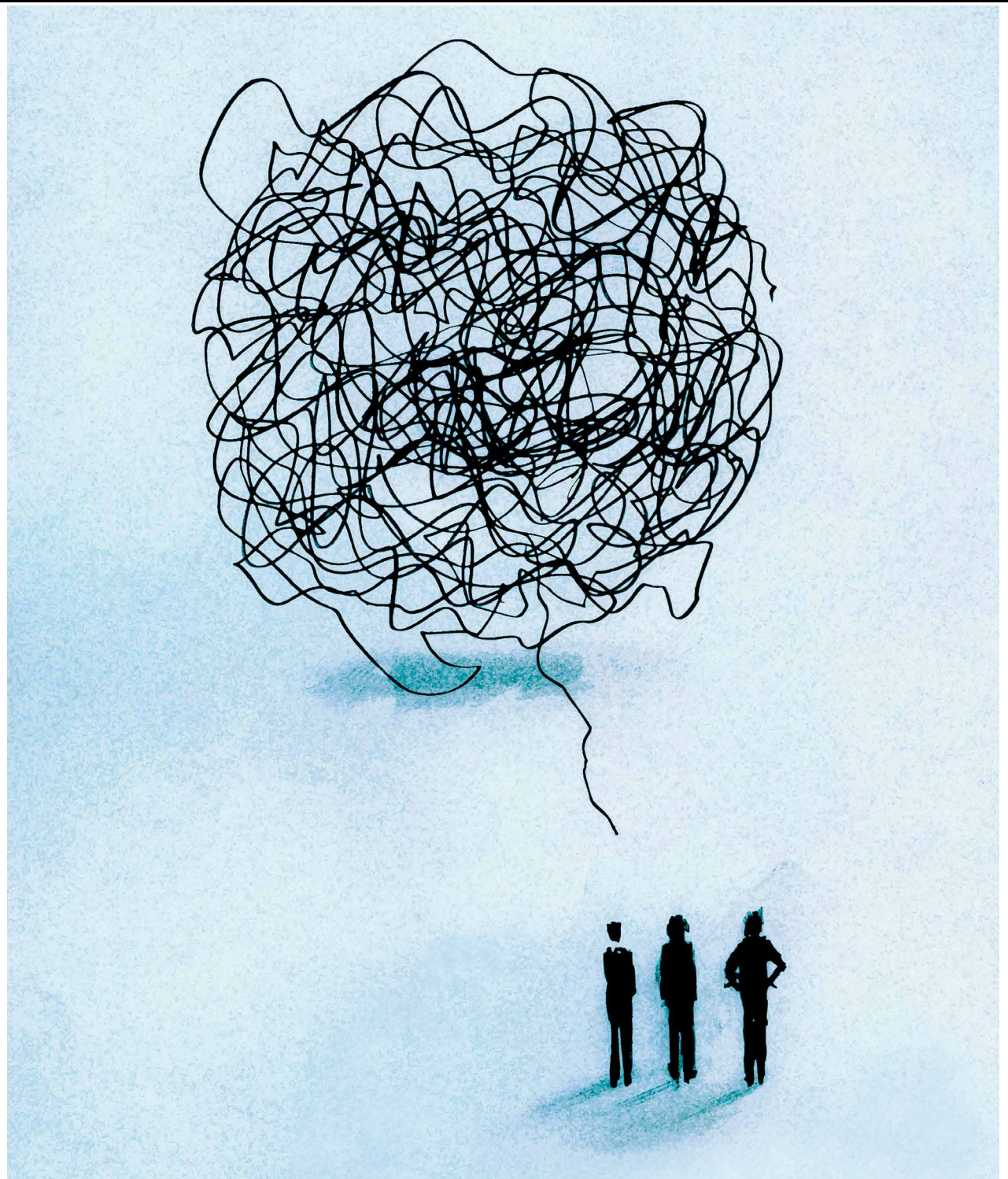
## TALENT

Attracting and retaining the right people is crucial to managing the ups and downs of a fast-moving world. But talent is often cited as one of the biggest barriers to success for CPOs, with employers generally finding it difficult to attract suitable employees for vacant positions.

"As companies become less integrated and outsource more elements of their business, procurement's role is evolving from buying materials to managing a range of strategic external gaps," says Mr Munyard. "A skillset based on squeezing suppliers is no longer appropriate, rather a more collaborative toolbox of approaches is required.

"The softer skills of stakeholder management, change management, and creating and driving innovative solutions to business problems are increasingly becoming the differentiators between success and failure.

"Unless we start training and developing people in these areas now, the talent gap is only likely to get wider as procurement continues to develop into a broader, more strategic role."



**ALEX KLEIN**  
CHIEF OPERATING OFFICER  
EFFICIO



**TOBY MUNYARD**  
VICE PRESIDENT  
EFFICIO



**TIM VON DER DECKEN**  
VICE PRESIDENT  
EFFICIO

“Supply chains cannot and will not be as long and stable as they have been in the past”



TECHNOLOGY AND DATA

Technology and digitalisation is meanwhile transforming businesses both at the front and back end, from their procurement and sourcing to their interactions with customers.

"There's an opportunity now to embrace new technology, including automation, robotics, artificial intelligence, and data and analytics to run your business more efficiently," says Tim von der Decken, a vice president at Efficio.

"We're all familiar with buying anything from music to luxury goods through apps at the tap of an icon. Procurement experts also need to be able to use this technology to go beyond simple transactional activities, and look at some of the big strategic issues around uncertainty, risk and cost-reduction."

Big data brings unprecedented transparency of prices and availabilities, and thus the potential for enormous cost-reduction. "Suppliers will also have to be assessed in the future for their willingness to share information. Today, although companies are already collecting large volumes of data, many lack the ability to use it to generate competitive advantage," says Mr von der Decken.

The new vision for procurement and supply chain involves orders

released by customers steering themselves independently through the whole purchasing process, from ordering the raw material to choosing the optimum supplier through to identifying the cheapest and fastest means of delivery.

“The future CPO is more likely to be a networker than a purchaser

As technology takes care of these tasks, CPOs will find themselves moving into a new role. "The future CPO is more likely to be a networker than a purchaser," says Mr von der Decken. "He or she will no longer be measured solely by cost-savings, but by their ability to enable the procurement process and supply chain to adapt to new circumstances quickly and cost effectively by using new technology."

He points to financial services as a good example of a sector that has used technology to drive down costs and become more responsive to customer needs. Technological evolution also means that companies will increasingly have a number

of smaller innovative suppliers, rather than just a few large organisations.

"This offers advantages such as greater choice, reduced cost and improved innovation," says Mr von der Decken. "But the challenge will be to manage these myriad suppliers effectively while also, for instance, complying with regulations and satisfying increased consumer demand."

**SAVINGS AND EFFICIENCIES**

Significant changes are taking place affecting the near-term future of procurement. While it is important to respond to these changes, procurement teams should not take their eye off the key task of delivering cost-savings and value for money, says Mr Klein.

"Only when organisations have cracked the fundamentals should they look to take procurement into a more strategic direction," he argues. "The focus should be on driving cost-savings and efficiencies, while maintaining flexibility over contractual arrangements and putting in place contingency plans at a time when protectionism and terrorism are key drivers in this uncertain global environment."

**For more information please visit [www.efficioconsulting.com](http://www.efficioconsulting.com)**

CASE STUDY  
THAMES WATER



In a changing world, procurement also has to change, and it is critical to get ahead of the game and not be reacting to the latest demand or crisis.

Thames Water, the UK's largest water and waste water utility, has developed smart technology with Efficio to enhance its understanding of future business needs and analyse mass data to generate powerful new insights to enhance its supply chain management.

"We were looking for ways to improve efficiency and work better with our suppliers," says Tim Coles, head of commercial at Thames Water. "We are working in a different way, more in collaboration with our supply chain."

The Holy Grail for any procurement function is a fuller understanding of the future needs of the business. Thames Water

chose to work with Efficio and develop technology to support its needs.

"It was clear we needed a tool that would help us better forecast our future demands and create real insight around opportunity and risk," says Mr Coles. "Rather than buy something off the shelf, we had a great opportunity to work with Efficio to tailor the technology to really suit our purposes."

In the last 18 months, Thames Water has recruited new people to build an insights team, bringing different skills into the procurement department.

"We needed people with enhanced analytical skills and to then utilise our extensive experience in procurement to develop and upskill them," he says.

Working with Efficio to develop the right technology and train

staff in its use, Thames Water is now able to make much more accurate predictions about future need, derisking its supply chain and allowing it to work more collaboratively with suppliers.

Greater insight into Thames Water's needs means a supplier can plan its own business far more efficiently, and then offer benefits, whether in terms of cost-savings or enhanced products and services.

"We've been able to engage with our supply partners in a new way," says Mr Coles. "Coupling a macro picture of how the world around us is changing with what our future is likely to look like has been very powerful. Historically, reconciling forecasts was hard work – no two spreadsheets ever talked to each other. The exercise was massively resource intensive and still wasn't a very robust, repeatable process."

"Now we have a very slick and smart forecasting system. It opens the door to intelligent conversations with suppliers. We can now see where we're overheating our supply chain and take proactive steps to address it. Linking this process to our five-year regulatory business planning process will also help us to reduce the cyclical nature of demand that drives inefficiency and risk across our industry."

"This is an incredibly exciting road to be on. Once you open your eyes to the possibilities of technology, it can really transform the way you work."

# We make savings stick



If you've found that cost savings come unstuck, or change programmes don't deliver as promised, say hello to Efficio.

We're the world's leading procurement consultancy, delivering lasting transformation that sticks.

We have over 350 experts, unique technology and intellectual capital, and unparalleled expertise in all areas of procurement. We're so confident in what we do that we link our fees to the results we achieve – and work with you to ensure that transformation and cost reductions are sustainable.

For change that sticks, stick with Efficio.

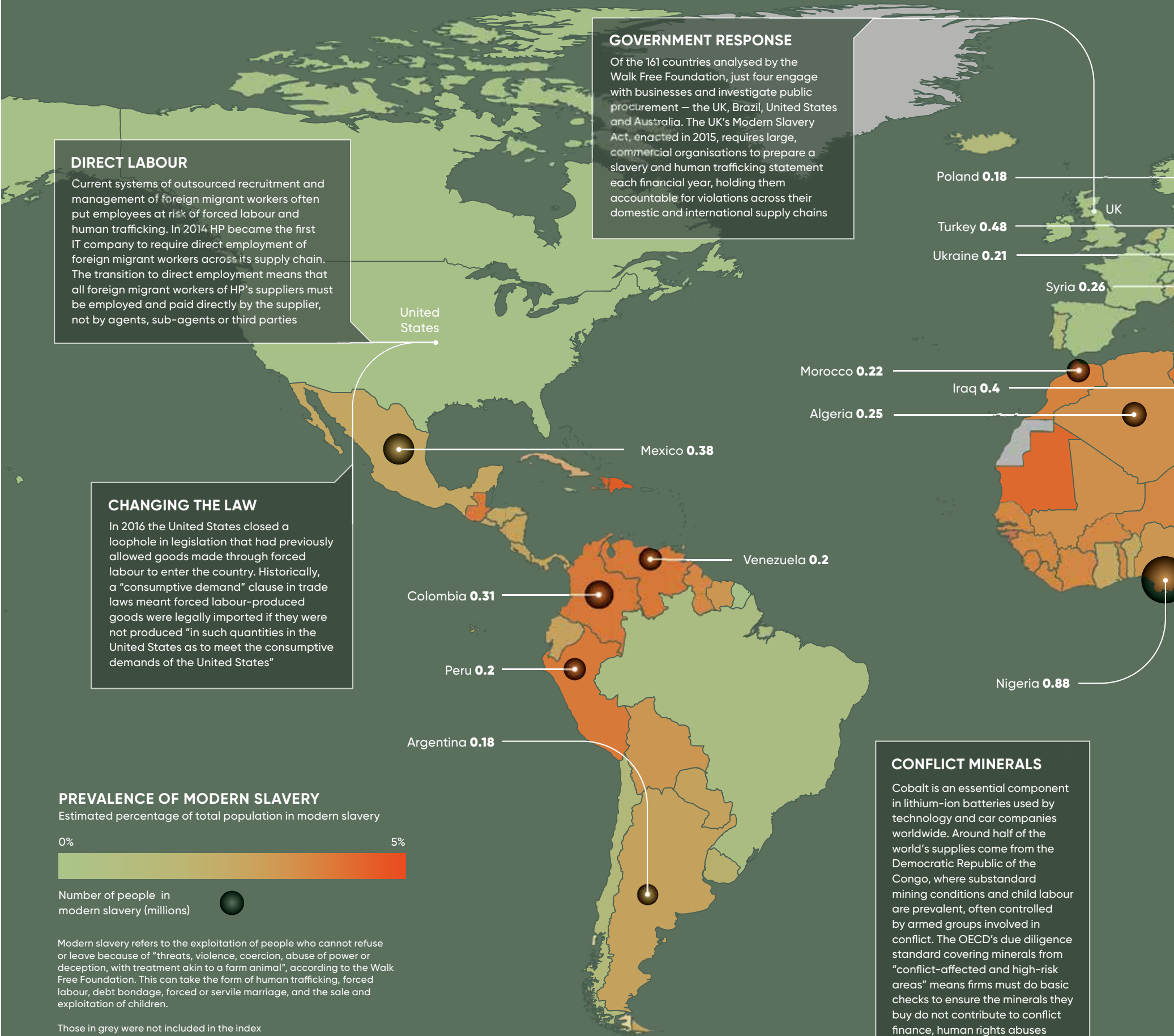
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# BATTLING MODERN SLAVERY

Despite vast improvements in the global fight against modern-day slavery over the past decade, more than 45 million people remain victims of forced labour worldwide, with 58 per cent of those from five countries alone. While government intervention can have the biggest immediate impact, businesses have their

own role to play. Ensuring transparency and accountability across globalised supply chains – from direct providers to indirect third-party sourcing – is key, and the procurement function is pivotal to not only safeguarding firms from big fines, but helping nations eradicate modern slavery once and for all

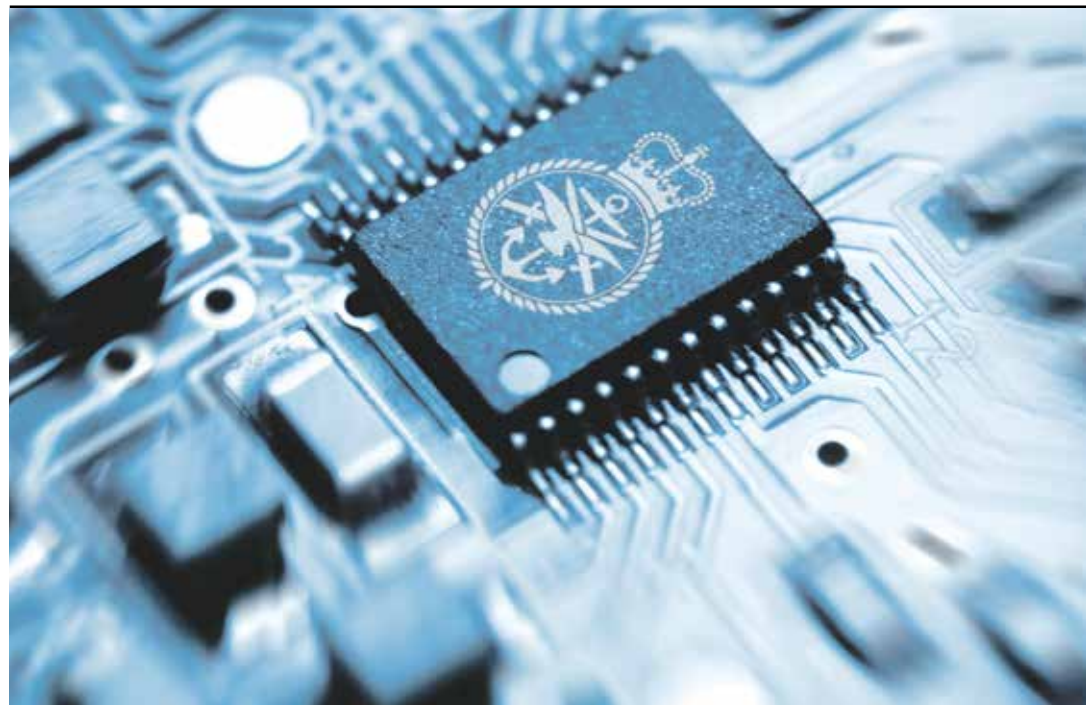








COMMERCIAL FEATURE



# You're cyber secure, but are you cyber mature?

A new cyber-security protocol from the Ministry of Defence means greater obligations for businesses – and their supply chains

The recent WannaCry cyber attack has prompted organisations around the world urgently to review their cyber security. It's also focused more attention on an important initiative by the UK's Ministry of Defence (MoD) called DEFCON 658. This new procurement protocol on cyber security requires all suppliers bidding on MoD contracts, which necessitate the transfer of MoD-identifiable information, to comply with new additional regulations.

But it's not just MoD suppliers who need to take action here. Over the next few years, as demands for better cyber security intensify, these requirements will affect those suppliers' own supply chains as well.

The move follows the establishment in 2013 of the Defence Cyber Protection Partnership (DCPP), a joint defence and supply chain initiative tasked with improving the protection of the defence supply chain from cyber threats. The DCPP have defined both a cyber-security model and a range of cyber-risk profiles that set out the controls and measures suppliers must meet to demonstrate sufficient mitigation of their cyber risks before they are allowed to start work on an MoD contract.

"The MoD has a long history of ensuring good physical security controls, for example checking people entering and leaving buildings, but it now also needs to ensure the same level of controls for cyber security," says Dr Alex Tarter, head of cyber consulting at Thales, the global technology leader for the aero-

space, transport, defence and security markets, which is also a core member of the DCPP.

"These days, it's not just about asking whether a company has the right cyber-security controls in place, but how well those controls are managed and implemented. DCPP assesses a company's cyber maturity in this regard."

“We're finding that more companies are coming to us as experts for assistance

Thales, whose cyber-security clients include Williams Formula 1, Jaguar Land Rover and the UK nuclear sector, offers a consultancy service to help companies to get to grips with the new MoD cyber requirements in the most efficient and cost-effective way.

"According to the UK's National Cyber Security Strategy, every company has to take responsibility for their own cyber security, just as they currently do with finances and HR," says Dr Tarter. "In the case of DEFCON 658 this means ensuring the cyber security of their entire supply chain, so there is a challenge in raising everyone up to the new UK defence procurement standards. Not every business is mature enough to implement that level of cyber security. So we're finding that more companies are coming to us as experts for assistance."

## THALES

Dr Tarter compares the previous technology emphasis and the current shift to maturity with building a house. "Focusing on the technology, such as bricks in this case, doesn't guarantee that you'll build a solid house – it's how you put it all together that counts. Instead of worrying about which building blocks or technologies, such as firewall or anti-virus, are used, concentrate on employing a skilled architect and influencing the cyber-safe behaviours of those people who live and work in it," he says.

As WannaCry and Petya attacks have demonstrated many companies are not resilient to a cyber attack. Common vulnerabilities when exploited are shutting down their operations. Which is why businesses unsure that their cyber-security protections are aligned to their business needs are talking to Thales about their Cyber Vulnerability Investigation (CVI) service.

This service is based on Thales' experience providing CVIs to the MoD and commercial partners, helping them to identify vulnerable areas that if cyber attacked would prove devastating to their business operations, and how to make themselves more resilient and mature.

Thales understands the important role maturity plays in good security. Dr Tarter says: "We secure the transactions of 19 of the world's 20 largest banks, so we appreciate that good security does not inhibit business, but rather ensures it is more resilient."

For more information please visit [www.thalesgroup.com/en/tcc-uk](http://www.thalesgroup.com/en/tcc-uk)

OPINION COLUMN

# ‘Although the world has faced conflict and uncertainty before, this time it feels like we are operating in extraordinary times’

GERRY WALSH

Group chief executive  
Chartered Institute of Procurement & Supply

Managing change is what procurement and supply professionals do, but seldom have any of us been faced with quite so much of it – all at once.

Risk and uncertainty seem to be the buzzwords for business right now, more so than ever. The latest Chartered Institute of Procurement & Supply *CIPS Risk Index* for the first quarter of 2017 reports that a lack of trust and transparency, as a result of ideological and military conflicts, are undermining the international supply chains linking the world. Prolonged conflict is creating a “supply chain no go area”, cutting off local businesses and consumers from global markets while facing a potential scarcity of goods.

And here is the challenge for all of us; it is very real and although the world has faced conflict and uncertainty before, this time it feels like we are operating in extraordinary times.

As a profession, procurement and supply management is on the precipice of dynamic and disruptive change resulting from volatile trading environments, increasing complexity and the influence of information technology.

From a professional perspective, technology is completely reshaping the workforce. Automation is eliminating jobs at lower levels and causing career disruption for many. For any professional today, the need for technical skills is common, but it can be a severe test of capability and leaves people feeling vulnerable.

It is therefore no surprise that CIPS considers the impact of technological change one of the most dramatic to affect our professions future, hence why it is a reoccurring theme when examining the future of the profession.

According to research CIPS released last year – *CIPS Supply Century* – our predictions for the future of the profession have made some difficult reading. We are in no doubt there are fundamental changes ahead. Procurement is changing and as a profession will have to continue to evolve if it is to maintain its critical standing in driving organisational success.

The more transactional activities will simply disappear and will become automated. The roles that re-



main will require new skillsets and we must adapt. Put simply what we have now will not be fit for purpose. Technology and management of data at speed will lead the way and will be a crucial differentiator for us and our organisations.

These changes present an opportunity as the procurement profession has never been so relevant. Technology can help us develop sourcing plans, identify suppliers, derive category plans and, for volatile commodities, sophisticated automated processes.

Of course there has to be a balance and where artificial intelligence meets emotional intelligence is where procurement professionals can maximise value. You can't replace a procurement professional's instinct and gut feel for when something doesn't feel quite right. You can only do this by building relationships, having more face-to-face contact with suppliers, putting relationship building centre stage.

So as this ecosystem of supply chains and organisations becomes more complex and more diverse, and issues such as scarcity of supply increase, the procurement profession can expect to play the expert role in driving resilient supply chains and therefore resilient business.

Threats such as cyber attacks and modern-day slavery appearing in supply chains are just a few examples, but they mean we must be on the front foot; we have to tackle risk. We have to not just manage our marketplaces, but go out and create them, driving stakeholder and reputational value upwards.

Procurement professionals are well placed to take the leading role in shaping an enacting policy designed to alter behaviours to eradicate high-profile business risks. The modern slavery in the supply chains agenda, mostly led by the UK's Modern Slavery Act, has pushed supply chain risk and compliance to the C-suite debate.

The future role for procurement as agents for change, acting as interpreters of the supply markets and creators of the solutions will ensure that businesses can rely on innovative, robust and sustainable supply chains for future success.



SHARED VALUE

# Sharing value with people and the planet

The supply chain is increasingly viewed as a value chain, with shared value being as much environmental and social as it is economic

JIM McCLELLAND

As digital communications and data access approach ubiquity, makers and sellers have almost nowhere to hide. Everything is open to scrutiny. What you use, where you get it, how and from whom are questions that demand answers. Especially for highly visible organisations, such as consumer brands and publicly quoted companies, this means

reputation and risk are now increasingly twinned with transparency and traceability; procurement and provenance go hand in hand. Rising to this responsibility challenge, the more enlightened businesses are moving beyond the notion of merely doing less harm and positively embracing opportunities to do more good, albeit with a commercial twist. For these pioneers, whether in buildings or boots, ink cartridges, chocolate or ice cream, sustainability is fast becoming the future-proofing watchword for procurement.



SUSTAINABILITY

1 Given recent tragic events at Grenfell Tower, construction procurement, specification and regulatory compliance are inevitably going to come under the spotlight. There are, however, leading UK firms making great strides towards modernising an industry that has struggled with reputational and supply chain issues. Infrastructure and construction company Balfour Beatty has even claimed a world first for sustainable procurement,

with assessment against new international standard ISO 20400. The writing is on the wall, argues director of Action Sustainability Shaun McCarthy, who led the UK delegation in development of the standard. “It is no longer acceptable just to have a nice shiny corporate social responsibility report. Organisations that divert much of their revenue and sustainability impacts to their supply chains must step up and be accountable,” he says. “By being first to undertake an ISO 20400 evaluation, Balfour Beatty are showing leadership that could spark profound change in the construction sector and other industries around the world.”

PLASTIC

2 Last month, global tech giant HP launched Original Ink cartridges made with plastic from bottles recycled in Haiti. While HP has worked for years with established vendors on closed-loop recycling, this represents a new market opportunity, with social and environmental impact, generating a steady revenue stream and helping create jobs. It improves lives of workers who harvest recyclable materials, including 300 children collecting on the Truitier landfill. Partnership is key, explains Nate Hurst, chief sustainability and social impact officer at HP Inc. “Working with partners such as Thread and members of the First Mile Coalition was essential to success, because they have on-the-ground experience and expertise to get things done. They understand the specific social needs of local citizens, the infrastructure in place and challenges companies in Haiti might face,” he says. To date, HP has used 20 tonnes of plastic, equivalent to more than 1.5 million bottles prevented from reaching the Caribbean Sea.

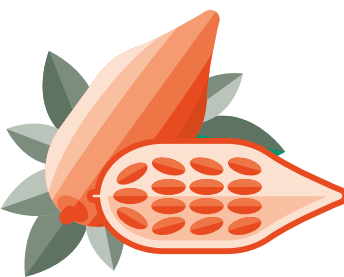


FOOD AND BEVERAGE

3 From breakfast cereals to ice cream, much food crop procurement begins with the humble bee. In North America alone, bees are responsible for roughly \$25 billion in agricultural production each year. However, 25 to 40 per cent of all pollinators globally are currently at risk of extinction, with colony collapse disorder or CCD impacting on bee numbers and taking an economic toll. The solution, though, remains fairly simple, according to pollinator programme co-director at the Xerces Society for Invertebrate Conservation, Eric Lee-Mäder: restore flowering habitat and protect it from pesticides.



Companies such as DanoneWave and Häagen-Dazs are responding rapidly, plus General Mills has committed to integrating pollinator conservation across roughly 300,000 acres of supplier farms. “This is the future of farming,” says Mr Lee-Mäder. “We’ve seen benefits and drawbacks of agricultural technology ebb and flow, but conservation always pays for itself. Any food company with an interest in long-term survival now recognises that.”



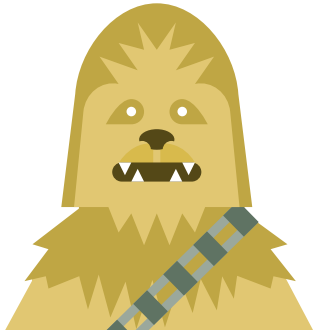
DEFORESTATION

Whether you prefer your chocolate dark or milk, an historic agreement on procurement promises more of both – deforestation free. Under the Cocoa and Forests Initiative, the world’s leading cocoa and chocolate companies have agreed a statement of collective intent to end deforestation and forest degradation.

tion in the global supply chain. Convened by the Prince of Wales International Sustainability Unit, World Cocoa Foundation and IDH Sustainable Trade Initiative, they will present jointly at the World Climate Conference COP 23, in Bonn, this November. While signatory corporations such as Mars and Nestlé grab headlines, working in close collaboration with governments, initially in Ghana and Côte d’Ivoire, is crucial, says Elske Stevenson of IDH. “The only way global cocoa supply chain commitments on deforestation can be delivered on the ground is with buy-in from governments. They create full clarity on boundaries of national parks and forest reserves, for example,” she says. “It’s crucial governments participate early in the process.”

FASHION

5 Ethical and vegan footwear for an eight-foot-tall, 200-year-old “Wookiee” warrior is no ordinary procurement request. The new Chewie boot from sustainable British shoemaker Po-Zu, though, comes officially co-branded by the *Star Wars* film franchise and named after alien life form Chewbacca. Po-Zu footwear is marketed as slow-fashion fun. Delivering on its environmental and ethical promises, however, is a serious business. Rigorous procurement ensures all materials are renewable and responsibly harvested, pesticide and toxic free. Managing director Safia Minney is under no illusions about the busi-



ness challenge. She says: “Ethical fashion is hard work, as if retail wasn’t tough enough. It is forcing an out-of-date, out-of-control capitalist system to look at the true cost of doing business. But *Star Wars* has helped reach a totally new market with organic cotton and vegan alternatives, like pineapple-leaf fibre, and get ethical fashion to go truly universal, right?” ●



## CONFLICT MINERALS



# Descending into conflict: tech minerals finance war

The technology we now take for granted relies on minerals which may have been mined in conflict zones where the trade finances war and oppression

RICHARD BROWN

The next time you're struck down with "power anxiety" over your mobile phone's depleted battery, spare a thought for the mistreated children toiling away in deepest Africa who mine the cobalt essential for the manufacture of lithium-ion batteries, found in smartphones and laptops worldwide. Our minor first-world problem is their major third-world crisis.

Children in the war-ravaged central African Democratic Republic of the Congo (DRC) dragooned into harsh, hazardous mines to extract the cobalt are just part of a callous trade in minerals essential to compo-

nents for high-tech gadgets and gizmos citizens in developed countries have come to rely on as essential.

Armed groups, including elements of the Congolese national army, have played on the trade in tin, tantalum, tungsten and gold to fund a brutal war in eastern DRC for more than 15 years. In 2014, there were an estimated 2.7 million internally displaced people within the country due to the ongoing armed conflict in the east. The local population in DRC, and in particular those in North and South Kivu provinces, have borne the brunt of a conflict characterised by murder, rape and displacement.

Emily Norton, a campaigner with the conflict resources team at Global Witness, says: "The problem of so-

called 'conflict minerals' is a global one; it is not limited to DRC. The extraction and trade of minerals continues to finance wars and contribute to human rights abuses, bribery and money laundering around the world, from Myanmar to Afghanistan and Columbia."

According to Ms Norton, the worldwide nature of the problem means governments are seeking global solutions, using the international standard, the Organisation for Economic Co-operation and Development's (OECD) *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

"This standard sets out a five-step framework for companies to do basic checks to find out whether or not

their supply chains could be linked to conflict finance and other risks, a process known as supply chain due diligence," she says.

Crucially, as Ms Norton concedes, due diligence is about managing risks in the supply chain responsibly; it does not ask companies to guarantee 100 per cent conflict-free supply chains. "Tracing the origin of minerals is only one part of this and it is not something that every company is expected to do," she adds.

A new European Union regulation came into force on June 8, the first of

its kind to adopt a truly global scope. It requires EU-based importers of tin, tantalum, tungsten and gold, ores and metals, to meet the OECD standard when sourcing minerals from any conflict-affected or high-risk area globally.

Technology firms, who import tin, tantalum, tungsten or gold in their metal forms into the EU, for manufacturing purposes, will be covered by the new EU law. Ms Norton says: "Unfortunately, the European Union has chosen to ignore a whole category of companies bringing minerals into the EU. This includes firms who buy and sell products containing these minerals, who are outside scope of the regulation. The EU trusts them to self-regulate. So far, we have seen limited progress."

“Technology firms should be living up to the international OECD standard





Mining employee, or creuseur, descends into a copper-cobalt mine in Kawama, Democratic Republic of the Congo, where conditions are dangerous with little to no safety equipment or structural support in the tunnels; they are paid on average \$2 to \$3 a day

In the United States, section 1502 of the Dodd Frank Act requires companies listed with the Securities and Exchange Commission (SEC) to carry out checks on their supply chains when they believe products contain tin, tantalum, tungsten and gold sourced from the DRC and its neighbours.

Global Witness says: “We have seen little evidence that they are meeting the broader international due diligence standard and checking their mineral supply chains on a global basis beyond DRC.” In the first year of reports under section 1502 of Dodd Frank, a joint study by Global Witness and Amnesty International estimated that 80 per cent of companies filing reports in the US were not meeting the minimum requirements of the law.



**51%**  
of the world's total supply of cobalt comes from the Democratic Republic of the Congo (DRC)  
BMI Research 2016



**20%**  
of the country's cobalt exports come from artisanal miners in the south, many of whom are children  
Government of the DRC 2016

Dynda Thomas, conflict minerals specialist and partner at leading US law firm Squire Patton Boggs, says the devil is in the detail of section 1502 enforcement for non-compliance. She explains: “There is no specific fine or stated sanction built into the conflict minerals rule... It is possible that the SEC could bring enforcement cases against reporting companies that seem to be failing to comply with the rule. But this has not occurred yet and seems extremely unlikely to occur under the current [Trump] administration.”

Apple, by far the largest technology firm with \$52 billion in quarterly revenue to the end of March 2017 through the sale, primarily, of iPhones, iPads, Macs and Apple Watches, claims it designed its due diligence measures to conform to the OECD guidance and is an active participant in the Conflict-Free Sourcing Initiative, a downstream audit programme.

In its 2016 *Conflict Minerals Report*, Apple revealed 15 incidents potentially linked to smelters in Apple's supply chain in which individuals identified as members or potential members of armed groups were alleged to be involved.

A spokesperson for the tech behemoth says: “Apple has implemented a management system for responsible sourcing of minerals, mapped its supply chain to identify and address risk, and reports publicly on these efforts.”

Since 2015, Apple has required all smelters in its supply chain to participate in a third-party audit programme. The company says: “If our suppliers are unable or unwilling to meet our standards then we suspend or terminate business with them. Last year we removed 22 smelters from our supply chain.”

Samsung, Apple's South Korean arch-rival, says it is a responsible procurer of materials that has banned the use of conflict minerals mined in an unethical manner in conflict regions. Japanese electronics manufacturer Toshiba also purports to have similar conflict minerals sourcing and auditing systems in place that adhere to OECD guidance.

Global Witness's Ms Norton puts the sourcing dilemma succinctly: “Whether or not they are caught by laws and regulations, technology firms should be living up to the international OECD standard. This means checking whether their mineral supply chains globally may contribute to conflict finance, human rights abuses or corruption around the world. They should be transparent about what they are doing.” ●

COMMERCIAL FEATURE



# Importance of a culture of inclusion

The procurement industry must sell itself to talented professionals, irrespective of their gender, race or sexuality, says **Richard Paisley**, founder and chief executive of Proco Global



In 2008, I launched Proco Global, a firm focused on senior-level recruitment solely on procurement, supply chain, manufacturing, engineering, and quality and operational excellence. What have I learnt as we approach the end of our first decade? That the only way truly to future-proof your supply chain is to tap into the huge variety of talent available around the world and that means promoting a genuine culture of inclusion across your organisation.

I'm a father of two daughters and in March Proco Global did something I was truly proud to tell them about. To celebrate International Women's Day, we put our heads above the parapet and started a conversation about female leaders working in supply chain, including procurement. Most of the global businesses we work with want to address their shortage of female leaders, but in many regions there simply isn't a big enough pool of female candidates.

As the world marked International Women's Day, we interviewed more than 20 female leaders working in global corporations, such as Converse, Mondi and Coca-Cola. They told us that issues remain. Some talked of experiencing blatant discriminatory behaviour, others of being the victims of unconscious bias and many of the daily challenges they experience simply being the only woman in a meeting room.

We know procurement is not a career path women commonly take. And yet as the role of the procurement professional develops into something far more strategic, it should be more appealing.

Beatrix Praeceptor, group chief procurement officer at international paper and packaging group Mondi, says: “Twenty years ago, the understanding of a good purchaser was basically a dog on a chain that you let out whenever you wanted to really beat down the prices from a supplier at any costs. Today, the skills needed in procurement are much more about understanding different needs, and making sure all the people that have a stake in your product are on board and aligned towards developing the best solution in terms of both cost and quality.”

She says this shift suits female candidates. “Since there has been this development towards more collaboration and more understanding, it's actually created a great chance for females to develop in supply chain and procurement roles,” says Ms Praeceptor. “From a skills point of view, it's ideal for women, bringing in different aspects compared to having no or limited diversity of leaders.”

Future-proofing procurement means being flexible enough to welcome the entire talent pool, engaging with young talent out of university, supporting working parents and providing agile working arrangements for those with caring commitments. It means mentoring and coaching your brightest stars, and maximising global mobility opportunities. And it requires senior females to act as role models and facilitate networks of support.

Finding procurement talent is tough. Sarah Millard, regional procurement director at Coca-Cola Asia-Pacific, says: “We want to encourage talent with strong business acumen who can support us to deliver better commercial deals and drive value, but critically we want them to be able to do it in a fast, efficient and innovative way that supports business growth objectives.”

“What I believe makes procurement so interesting is the variety in the role and responsibility, showing that we can add real value to the business. We are working with agencies and suppliers, which gives us an external focus on the business, and at the same time we are working with different functions inside the company, using that external third-party knowledge to drive productivity, cost and quality management.”

I'm proud that Proco Global started the conversation about attracting women into procurement back in March. Now I want the industry to step up, sell its story, bang its drum and make sure it is an appealing career to talented professionals, irrespective of their gender, race or sexuality.



**RICHARD PAISLEY**  
FOUNDER AND CHIEF EXECUTIVE  
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## DIGITALISATION

# Looking ahead

Technology is opening up procurement to efficient and cost-saving opportunities, including predictive analytics

CLARE GASCOIGNE

Procurement is a business function that has traditionally been slow to take advantage of technology. It has tended towards a savings mentality, choosing to focus on reactive cost-cutting, rather than being proactive and boxing clever with predictive analytics to monitor spend and add value.

But that has all changed. "Historically, procurement has looked in the rear-view mirror and out of the back window; now we can look out through the windscreen at the road ahead," says Andrew Coulcher, director of membership and knowledge at the Chartered Institute of Purchasing and Supply.

Automation of procurement has come a long way in the past five years, but is likely to push even further. According to ProcureCon's Annual CPO Study of chief procurement officers, within the next 18 months a mere 3 per cent of respondents would have no procurement processes automation while 61 per cent would have between 21 per cent and 60 per cent automated.

"The large majority of respondents will be working on increasing their use of the technology based on its potential to aid them in their strategic transformations," the report says.

Big data and predictive analytics are procurement's secret weapons for the next couple of years. So far, technology has been used more to cut costs; not that this is unimportant, but the real gains will be as companies start to use technology more innovatively and creatively.

"Added value in procurement is often seen as coming in the form of cost-reductions, but it's also about getting closer to suppliers, becoming more collaborative in how you operate," says James Jenkinson, head of digital at Efficio procurement consultants. "With corporate spend on third-party suppliers averaging 30 to 40 per cent of revenues, procurement needs to have a much higher level representation."

Technology is lifting the role of procurement, providing services that are critical to maintaining corporate reputation, not to mention legality. With procurement functions frequently stretching across the globe, companies need full visibility all the way to the end of a supply chain to guarantee it is

free of issues such as modern-day slavery or bribery and corruption.

"Automated procurement systems can help map connections in a supply chain; for a CEO, who is legally responsible for the elimination of poor processes, that puts procurement in a different light," says Mr Coulcher.

Using technology, such as the blockchain, companies can validate supply chains, bringing a level of transparency that has not always been possible. Last autumn, BHP Billiton, the mining company, announced plans to use ethereum blockchain to improve its supply chain processes. Recording and tracking of geological samples, which can cost millions to produce and are used to make decisions across the world, will be carried out via a web app instead of an Excel spreadsheet.

The move allowed BHP to share data with third parties, improving relationships with suppliers. It's a change that is a key reason why technology now plays such an important role in procurement; with a growing use of high-tech solutions, supplier relationships are changing.

"Procurement used to be a transactional service, but as the function matures we are seeing much higher level interaction," says Mr Jenkinson.

So while procure-to-pay systems – now used by 66 per cent of companies, according to ProcureCon's Annual CPO Study – enable CPOs to make faster and more efficient purchases, it is in the sphere of relationships that technology is having the greatest impact.

"The use of technology in procurement is partly being driven by very innovative suppliers offering bespoke solutions," adds Mr Coulcher.

E-procurement is now routinely used to improve the supply of goods and services, especially for companies operating globally. It offers the ability to harmonise purchasing across multiple sites. Platforms such as PunchOut or RoundTrip make it possible



Big data and predictive analytics are procurement's secret weapons for the next couple of years



# to an online digital future



INSIGHT  
**CAN PROCUREMENT BE FULLY AUTOMATED?**

Technology has often been viewed with much suspicion by procurement departments. The fear was that automation such as e-procurement would bring about a race to the bottom, focusing on price at the expense of other factors in the supply chain – and at the expense of the employees in procurement.

Certainly it's true that many processes once done manually can now be done by machine; buying via a central hub, with automatically generated invoices that go directly from the supplier's system to the purchaser's finance department, matched using optical character recognition and paid using blockchain technology.

It is all work that used to be done manually, via spreadsheets, telephones and e-mails, and many foresee a procurement department empty of people, replaced by a few quietly whirring machines.

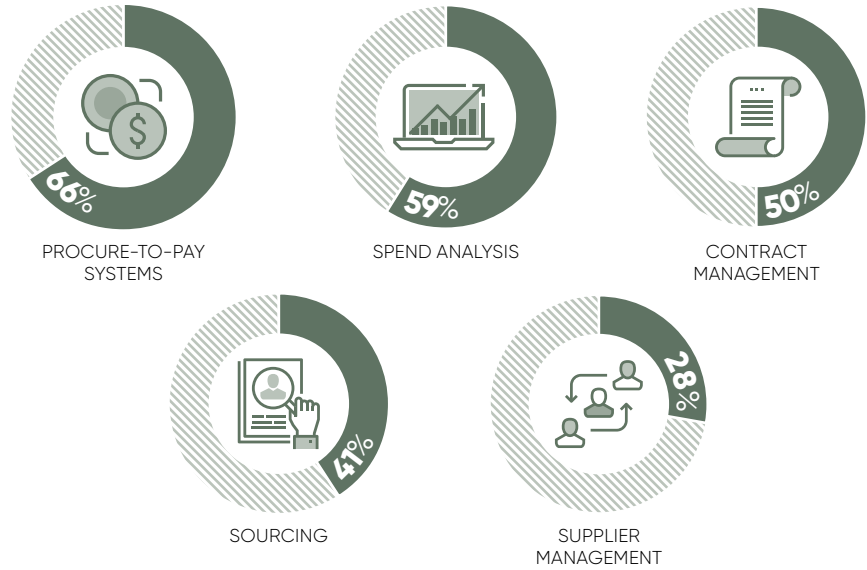
But technology can only go so far. "Procurement cannot be managed within a silo," says Andrew Coulcher of the Chartered Institute of Purchasing and Supply. "There is a place where artificial intelligence and emotional intelligence meet. There will always be a role for human-to-human contact."

What automation means for those still working in procurement is an elevation of the function. Procurement has moved from simple buying to a trusted-adviser role.

"It's all about how to add the most value," says James Jenkinson of procurement consultants Efficio. "It takes a lot of human interaction to make sure you have the right performance models. You will always need humans to be inventive."



**TOP SOURCING AND PROCUREMENT TOOLS/SOFTWARE IN USE**  
SURVEY OF CHIEF PROCUREMENT OFFICERS



ProcureCon 2017

to access, say, a supplier's catalogue from within a purchaser's own system.

This can lead to a massive automating of the procurement function, since everything from the negotiating process to the settlement of invoices can be handled digitally. "A lot of organisations are still using conventional ways of going to market, but using the internet to provide an open way of bidding is increasingly being used not just for commodity goods, but for complex and sophisticated services," says Mr Coulcher.

Pub and restaurant chain Mitchells & Butlers moved to an electronic tendering system that reduced its new supplier onboarding process from three to four weeks to a matter of hours. It used a platform, web3 Source to Contract, configured to its specific needs by developer Wax Digital, to transfer paper-based contract storage to

an online database. The system enables each division to choose its own suppliers from a selected list, with supplier details stored centrally and visible to the rest of the business.

The platform was put to the test when Mitchells & Butlers bought Orchid Group, a rival pub operator, and a raft of new suppliers were evaluated and brought into the system within a few weeks. According to Simon Madders, project implementation manager at Mitchells & Butlers: "We have found an innovative solution that can flex as we do."

But perhaps the biggest prize for companies that adopt technology is the possibilities brought about by predictive analytics. Newer technologies such as machine-learning and artificial intelligence (AI) are transforming the manipulation of data so procurement departments can fore-

tell the future with increasing accuracy. It's a particularly exciting time to be working in procurement technology.

Mr Jenkinson says: "Most procurement functions are crying out for something that will tell them what to buy in the future. With the growth of open-source AI platforms, it's relatively cheap to build the applications; the cost is peanuts compared to the spend in, say, an IT department. But you can see big gains – 20 per cent or more – in efficiency."

That brings a much more important role for the CPO, who can offer the board critical insights into the company's future. Technology has driven cost-savings, efficiency-gains, improved supplier relationships and is now driving the CPO towards the boardroom. It requires a high level of innovation and flexibility, but will make CPOs more influential than ever. ●



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